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Taxation - Insurance Companies

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Office of the Secretary of State
March Fong Eu

1230 J Street
Sacramento, California 95814

Elections Division
(916) 445-0820

September 18, 1979

TO: ALL COUNTY CLERKS/ REGISTRARS OF VOTERS
FROM: CASHMERE M. APPERSON, Elections Technician

Pursuant to Elections Code Section 3520(b), you are hereby notified that the total number of signatures to the three hereinafter named proposed initiative constitutional amendments filed with all county clerks is less than 100 percent of the number of qualified voters required to find the petition sufficient.

SUMMARY DATE: April 13, 1979

PROPONENT: Charles W. Dailey

TITLES: 1. TAXATION - PERSONAL AND CORPORATE
 INCOME
 2. INTEREST RATES - LOANS AND JUDGEMENTS
 3. TAXATION - INSURANCE COMPANIES

The above petitions have failed and no further action is necessary.

Charles W. Dailey still has two very similar constitutional amendments in circulation, both having October 26, 1979 signature submission dates. The two active drives are for "Taxation - Personal and Corporate Income" and "Taxation of Persons, Corporations and Insurers" initiatives.

Cash A.

NEWS RELEASE

from: Secretary of State March Fong Eu
1230 J Street, Sacramento, CA 95814
(916) 445-6371

For Immediate Release
September 18, 1979

Contact: Caren Daniels

FOUR INITIATIVE DRIVES FAIL SAYS MARCH FONG EU

SACRAMENTO -- Secretary of State March Fong Eu announced today (Sept. 18) the failure of four initiatives, dealing with various aspects of rent stabilization, taxation and interest rates, to qualify for the June 1980 statewide ballot.

The "Rent Stabilization Initiative," a statutory measure circulated by Dennis Kavanagh and the Golden State Mobilhome Owners League, Inc., needed 346,119 registered voter signatures by Sept. 17 to qualify. Earlier this week he notified the secretary of state's office that his drive had not been successful so no signatures would be submitted to the county election officials. The initiative had sought to set maximum rents based on those charged April 1, 1979, thereby limiting permissible rents on most types of rental units between Sept. 1, 1980 and July 1, 1980 except for recently executed fixed-term leases.

The other three defeated measures, sponsored by Charles W. Dailey of Covina, were constitutional amendments requiring 553,790 valid signatures. They included the "Interest Rates - Loans and Judgments," "Taxation - Insurance Companies," and "Taxation - Personal and Corporate Income" initiatives, and had Sept. 10 signature submission dates.

The interest rates measure would have amended the usury provisions of the constitution to maintain the seven per cent per year limitation on loan interest rates; extended the seven per cent limitation to court judgments; permitted parties to any loan to contract in writing for a rate of up to 12½ per cent per year; and extended the limitation to all types of organizations.

The insurance taxation measure would have eliminated the annual tax paid by insurance companies in lieu of state, county and municipal

(over)



taxes and licenses, and would have increased the number of legislative votes needed to increase insurance companies' tax rates.

The personal and corporate income tax proposal would have extended the educational institution tax exemption to religious institutions; established a nine per cent tax limit on taxable personal income; set a minimum nine per cent tax rate for corporations and eliminated certain of their credits and deductions; and specified tax deductions, credits and exemptions which the Legislature could have granted to persons or corporations.

Dailey still has two very similar constitutional amendments in circulation, both having Oct. 26 signature submission dates. The two active drives are for "Taxation - Personal and Corporate Income" and "Taxation of Persons, Corporations and Insurers" initiatives which were announced to the public in a news release dated June 7.

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Office of the Secretary of State
March Fong Eu

1230 J Street
Sacramento, California 95814

Elections Division
(916) 445-0820

April 13, 1979

TO ALL COUNTY CLERKS/ REGISTRARS OF VOTERS

Pursuant to Section 3513 of the Elections Code, there is transmitted herewith a copy of the Title and Summary prepared by the Attorney General on a proposed Initiative Measure entitled:

TAXATION - INSURANCE COMPANIES
INITIATIVE CONSTITUTIONAL AMENDMENT

Circulating and Filing Schedule

1. Minimum number of signatures required 553,790
Constitution II, 8(b).
2. Official Summary Date Friday, 4/13/79
Elections Code Section 3513.
3. Petitions Sections:
 - a. First day Proponent can circulate
Sections for signatures Friday, 4/13/79
Elections Code Section 3513
 - b. Last day Proponent can circulate and
file with the county. All Sections are
to be filed at the same time within
each county Monday, 9/10/79
Elections Code Section 3513, 3520(a).
 - c. Last day for county to determine total
number of signatures affixed to petition
and to transmit total to Secretary of
State Monday, 9/17/79

(If the Proponent files the petition with the county on a date prior to 9/10/79, the county has 5 working days from the filing of the petition to determine the total number of signatures affixed to the petition and to transmit this total to the Secretary of State).
Elections Code Section 3520(b).

- d. Last day for county to determine number of qualified electors who have signed the petition, and to transmit certificate, with a blank copy of the petition to the Secretary of State Tuesday, 10/ 2/79

(If the Secretary of State notifies the counties to determine the number of qualified electors who signed the petition on a date prior to 9/17/79, the last day is not later than the fifteenth day after the notification). Elections Code Section 3520(d), (e).

- e. If the signature count is between 498,411 and 609,169 then the Secretary of State notifies counties using the random sampling technique to determine validity of all signatures.

Last day for county to determine actual number of all qualified electors who signed the petition, and to transmit certificate, with a blank copy of the petition to the Secretary of State Thursday, 11/ 1/79

(If the Secretary of State notifies the counties to determine the number of qualified electors who have signed the petition on a date prior to 10/ 2/79, the last day is not later than the thirtieth day after the notification). Elections Code Section 3521(b), (c).

4. Campaign Statements:

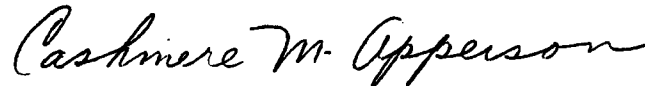
Last day for Proponent to file a Campaign Statement of Receipts and Expenditures for period ending 10/ 8/79 Monday, 10/15/79

(If the Secretary of State finds that the measure has either qualified or failed to qualify on a date earlier than 9/10/79, the last date to file is the 35th calendar day after the date of notification by the Secretary of State that the measure has either qualified or failed to qualify. The closing date for this campaign statement is 7 days prior to the filing deadline). Government Code Section 84204.

5. The proponent of the above named measure is:

Mr. Charles W. Dailey
430 W. Adams Park Drive
Covina, CA 91722

WILLIAM N. DURLEY
Assistant to the Secretary of State
Elections and Political Reform



CASHMERE M. APPERSON
Elections Technician

CMA:rh

NOTE TO PROPONENT: Your attention is directed to Elections Code Sections 41, 44, 3501, 3507, 3508, 3516, 3517, and 3519 for appropriate format and type considerations in printing, typing and otherwise preparing your initiative petition for circulation and signatures. Your attention is further directed to the campaign disclosure and petition circulating requirements of the Political Reform Act of 1974, Government Code Sections 81000 et seq.

DECLARATION OF SERVICE BY MAIL

I, Elva Gonsalves, declare as follows:
I am over the age of 18 years, and not a party to the within
action; my place of employment and business address is
555 Capitol Mall, Suite 350, Sacramento, California 95814.

On April 13, 1979, I served the attached
letter addressed to Honorable March Fong Eu, Secretary of State,
dated April 13, 1979, re: Initiative Constitutional
Amendment - Taxation of Insurance Companies, by placing a true
copy thereof in an envelope addressed to each of the persons
named below at the address set out immediately below each
respective name, and by sealing and depositing said envelope
in the United States Mail at Sacramento, California, with
postage thereon fully prepaid. There is delivery service
by United States Mail at each of the places so addressed, or
there is regular communication by mail between the place of
mailing and each of the places so addressed:

Charles W. Dailey
430 W. Adams Park Drive
Covina, California 91722

I declare under penalty of perjury that the foregoing
is true and correct.

Executed on April 13, 1979, at Sacramento,
California.


Declarant

STATE OF CALIFORNIA

GEORGE DEUKMEJIAN
(Pronounced Duke-may-jin)
ATTORNEY GENERAL



OFFICE OF THE ATTORNEY GENERAL

Department of Justice

555 CAPITOL MALL, SUITE 350
SACRAMENTO 95814
(916) 445-9555

April 13, 1979

FILED

In the office of the Secretary of State
of the State of California

APR 13 1979

MARCH FONG EU, Secretary of State

By *Cashmere M. Apperson*
Deputy

Honorable March Fong Eu
Secretary of State
925 L Street, Suite 605
Sacramento, California 95814

Attention: Rico Nannini

Re: Initiative Constitutional Amendment -
Taxation of Insurance Companies

Dear Mrs. Eu:

Pursuant to the provisions of sections 3503 and 3513 of the Elections Code, you are hereby informed that on this day we mailed to Charles W. Dailey, as proponent, the following title and summary:

TAXATION - INSURANCE COMPANIES - INITIATIVE CONSTITUTIONAL AMENDMENT. Amends section 28, article XIII of California Constitution imposing annual tax on insurers. Eliminates existing provisions which provide that the annual tax on insurers, including marine insurers, is in lieu of all other state, county and municipal taxes and licenses. Increases legislative votes required to increase the rate of taxes imposed on insurers from a majority of all members elected to each house to two-thirds of the membership of each house. Provides that the effective date of this amendment shall be January 1, 1981. Financial impact: Would increase state revenue by over \$100,000,000, and could result in substantial but unknown increases in local taxes and fees if existing local licenses and taxes currently precluded by existing section 28, article XIII from being imposed on insurers are imposed.

Honorable March Fong Eu

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Enclosed herewith is a declaration of mailing and a copy of the proposed measure.

According to information available in our records, the address and phone number of the proponent of this measure is as stated on the declaration of mailing.

Very truly yours,

George Deukmejian
Attorney General


Richard D. Martland
Deputy Attorney General

RDM:ac
Encl.

I propose that SECTION 28 of ARTICLE XIII of the Constitution of the State of California be repealed and the following amendment be incorporated as the new SECTION 28 of ARTICLE XIII.

SECTION 28

- A. "Insurer", as used in this section, includes insurance companies or associations and reciprocal or interinsurance exchanges together with their corporate or other attorneys in fact considered as a single unit, and the State Compensation Insurance Fund. As used in this paragraph, "companies" includes persons, partnerships, joint stock associations, companies and corporations.
- B. An annual tax is hereby imposed on each insurer doing business in this State on the base, at the rates, and subject to the deductions hereinafter specified.
- C. In the case of an insurer not transacting title insurance in this State, the "basis of the annual tax" is, in respect to each year, the the ammount of gross premiums, less return premiums, received in such year by such insurer upon its business done in this State, other than premiums received for reinsurance and for ocean marine insurance.

In the case of an insurer transacting title insurance in this State, the "basis of the annual tax" is, in respect to each year, all income upon business done in this State, except:

1. Interest and dividends
2. Rents from real property
3. Profits from the sale or other disposition of investments
4. Income from investments.

"Investments", as used in this subdivision, includes property acquired by such insurer in the settlement or adjustment of claims against it but excludes investments in title plants and title records. Income derived directly or indirectly from the use of title plants and title records is included in the basis of the annual tax.

In the case of an insurer transacting title insurance in this State which has a trust department and does a trust business under the banking laws of this State, there shall be excluded from the basis of the annual tax imposed by this section, the income of, and from the assets of, such trust department and such trust business, if such income is taxed by this state or included in the measure of any tax imposed by this State.

- D. The rate of the tax to be applied to the basis of the annual tax in respect to each year is 2.35 percent.
- E. Every insurer transacting the business of ocean marine insurance ~~insurer~~ in this State shall annually pay to the State a tax measured by that proportion of the underwriting profit of such insurer from such insurance written in the United States, which the gross premiums of the insurer from such insurance written in this State bear to the gross premiums of the insurer from such insurance written within the United States, at the rate of 5 per centum. The Legislature shall define the terms "ocean marine insurance" and "underwriting profit" and shall provide for the assessment, levy, collection and enforcement of the ocean marine tax.

- F. The taxes provided for by this section shall be assessed by the State Board of Equalization.
- G. The Legislature, two-thirds of the membership of each house concurring may by law change the rate or rates of taxes herein imposed upon insurers.
- H. This section is not intended to and does not change the law as it previously existed with respect to the meaning of the words "gross premiums, less return premiums received" as is used in this article.
- I. If any subsection, paragraph, clause or phrase of this section, or the application thereof to any person or circumstance, shall for any reason be declared unconstitutional or held invalid, the remainder of this section, or the application of such subsection, paragraph, clause or phrase to other circumstances shall not be affected thereby.
- J. The provisions of this article shall become effective January 1, 1981.